Department of Electrical Engineering
Final – Assignment Spring 2020 Date: 24/06/2020

Course Details

Course Title: Entrepreneurship
Module:
Instructor: Dr. Shahid Latif
Total Marks: 50

Student Details

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Student ID: 16469

Note: Attempt all of the following questions.

Q1.		Business Plan is heart of any new project and without a detailed plan, no business can be successful. Describe in detail how Business Plan is written, highlighting contents of its different components with giving example for each section?	Marks 10 CLO 2
Q2.	(a)	Consider yourself an "Entrepreneurship" and you want to start a new business. Prepare a "Business Plan" for your new venture detailing and describing all the steps required to start this business. (Business Plan for any Product or Service).	Marks 10 CLO 2
Q3.	(a)	What are the three main forms of business organization, and what factors should a company's owners consider when selecting a business form?	Marks 5 CLO 2
	(b)	What are advantages and disadvantages of a business venture when operated as a partnership?	Marks 5 CLO 2
Q4.	(a)	Growth Strategies are based upon Knowledge of Product or Market, discuss in your words? Describe four growth strategies with giving example of each strategy.	Marks 10 CLO 2
Q5.	(a)	Draw a block diagram showing the Marketing System for a new business by highlighting external and internal environmental factors.	Marks 10 CLO 2

Qno1

Business Plan

The business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. It is often an integration of functional plans such as marketing, finance, manufacturing, and human resources. As in the case of Steve Hafner, the business plan must address the integration and coordination of effective business objectives and strategies particularly when it involves a technology and marketplace that is complex. It also addresses both short-term and longterm decision making for the first three years of operation. Thus, the business plan—or, as it is sometimes referred to, the game plan or road map—answers the questions, Where am I now? Where am I going? and How will I get there? Potential investors, suppliers, and even customers will request or require a business plan

1. The Executive Summary

While appearing first in the business plan, the executive summary is a section that is usually written last as it is a summary of the entire business plan. It provides an overview of your business including your mission statement and details about what you offer. It's critical that your executive summary is outstanding, especially if you're seeking funding.

2. The Business Description

Provide information about the business you're starting, including what sort of problem your product or services solve, and who the most likely buyer is. Provide an overview of the industry that your business will be a part of, including trends, major players in the industry, and estimated industry sales.
This business overview section should also provide a summary of your business's place within the industry, along with your or your team's expertise as well as your competitive advantage.

3. Market Analysis

The market analysis is a crucial section of the business plan, as it helps you identify your best customers or clients. In the market analysis, research the primary target market for your product or service, including geographic location, demographics, your target market's needs and how these needs are currently being met. Your purpose here is to have a thorough knowledge of the people you are planning to sell your goods and/or services to so that you can make informed predictions about how much they might buy.

4. Competitive Analysis

In the competitive analysis section, you'll learn how successful your direct and indirect competitors are in the marketplace, with an assessment of their competitive advantage and how you'll set yourself apart from them. It also includes an analysis of how you will overcome any entry barriers to your chosen market. You also need to distinguish your business from the competition, which is especially important in persuading potential funding sources that you'll be able to compete in the marketplace.

5. Sales and Marketing Plan

The sales and marketing section offers a detailed explanation of your sales strategy, pricing plan, proposed advertising and promotion activities, and product or service's benefits. This is where outline your business's unique selling proposition, describe how you're going to get your goods and/or services to market, and how you're going to persuade people to buy them.

6. Ownership and Management Plan

This section gives an outline of your business's legal structure and management resources, including your internal management team, external management resources, and human resources needs. Include experience or special skills each person in your management team brings to the business. If the goal of your business plan is to get funding, it's wise to make sure that your management plan includes an advisory board as a management resource.

7. Operating Plan

The operating plan gives information on how your business will be run. It provides a description of your business's physical location, facilities and equipment, kinds of employees needed, inventory requirements, suppliers, and any other applicable operating details, such as a description of the manufacturing process.

8. Financial Plan

Starting a business is generally about making a profit, and so having a solid sense of your current finances, funding needs, as well as projected income is important. In the financial section, provide a description of your funding requirements, your detailed financial statements, and a financial statement analysis. This part of the business plan is where you present the three main financial documents of any business; the balance sheet, the income statement, and the cash flow statement, or in the case of a new business, a cash flow projection.

9. Appendices and Exhibits

In addition to the sections outlined above, at the end of your business plan, include any additional information that will help establish the credibility of your business idea, such as marketing studies, photographs of your product, permits, intellectual property rights such as a patent, credit histories, resumes, marketing materials, and/or contracts or other legal agreements pertinent to your business.

Qno2

Professional services business plan

Introduction

Creating an extensive business plan is unnecessary for most businesses to get started. However, creating a short business plan offers several benefits that more than outweigh the investment of time:

- The process of thinking and writing the plan provides clarity for the business.
- If capital is needed from outside sources, investors want to see a plan that demonstrates a solid understanding and vision for the business.
- The plan will help prioritize tasks that are most important.
- With growth, the plan offers a common understanding of the vision to new leaders.

A simple business plan for a start-up service company can be completed rather quickly. Keeping in mind who the intended audience is, write simply. The plan needs to be understandable, readable, and realistic.

This template is organized into seven sub-plans or sections to be completed.

1. Executive Summary
2. Company Overview
3. Business Description
4. Market Analysis
5. Operating Plan
6. Marketing and Sales Plan
7. Financial Plan

It is recommended to complete the Executive Summary last, after all of the other sections have been completed. As information is filled in, from the Company Overview to the Financial Plan, the writing should tell the story of the motivation and vision behind the business. Be sure to include what will make the business successful, how success will be achieved, and how success will be measured.

It is important to keep the business plan updated in order to see progress, celebrate success, and adjust where issues arise. This is best done on a quarterly, if not monthly, basis.

1. **Executive summary**

The Executive Summary should be written last after the remainder of the plan has been finished. It is an overview (with a suggested length of no more than one page) of the business, including the problem the business aims to solve, why this business' solution is different, the business' ideal customer, and the expected results. The Executive Summary should provide a high-level and optimistic description of the company.

If the business requires outside investment or external investors, include how much is needed, how it will be used, and how it will make the business more profitable. Think of this section as the first thing a potential investor reads, thus, it must capture their interest quickly.

Suggested headings to organize this business plan include the following.

- **Opportunity:** What problem will the business solve?
- **Mission:** What problem will the business solve?
- **Solution:** How will the service uniquely solve the problem identified?
- **Market focus:** What market and ideal customers will the business target?
- **Competitive advantage:** How does the business intend to succeed against its competitors?
- **Ownership:** Who are the major stakeholders in the company?
- **Expected returns:** What are the key milestones for revenue, profits, growth, and customers?

2. **Company overview**

The Company Overview is a brief summary of the intended business, including what it uniquely delivers, the mission, how it got started, market positioning, operational structure, and financial goals. After reviewing this section, the reader should have a broad understanding of what the business is setting out to do and how it is organized.

This section is not meant to be lengthy. Keep it short and succinct. This is the snapshot of the business. The type of business will determine what of the following sections will be required for the business plan. Only include what is needed to properly represent the business and remove anything else.

- **Company summary:** This is the introductory section to the company, also known as the 'elevator pitch' of what the company stands for and is setting out to do. Include the company's goals and some of the near-term objectives. Even if it is a small, service-oriented company, developing a summary is an important step to explain and focus the core business.
- **Mission statement:** This is a concise statement on the guiding principles of the company and what the company aims to do for customers, employees, owners, and other stakeholders.
- **Company history:** This provides the back story, especially the personal story, of why the business was founded. Use this section to give the overarching history of the company from its start and bring the reader up-to-date on where the company is now in terms of sales, profits, key services, and customers.

- **Markets and services:** This outlines the target market and related needs that the company will address. Include brief descriptions of offered services and targeted markets and customer types. This section can be a general overview as more details will be suggested in a later section of this plan.
- **Operational structure:** This describes the operational details of the business. List any potential employees needed on the payroll to make the business run.
- **Financial goals:** This describes the start-up capital needed, projected revenue and profits, forecast, and budget of the business.

3. Business description

This section will first frame the business opportunity and should answer the question: what problem(s) is the company trying to solve? Use a case example to describe the customers' pain point and how it is solved today. If the business' service addresses something the market has yet to identify as a problem (for instance, a new mobile app or a new clothing line), then also describe how the business' solution reduces stress, saves money, or brings joy to the customer.

After framing the opportunity, describe the service in detail and how it is the solution the business offers, how it solves that problem, and what benefits customers will receive.

This section also describes in more detail how the services will be rendered and the pricing structure (e.g., fixed rate versus an hourly fee). Describe how the company plans to differentiate from its competitors. What is the target market and how can the customer capitalize on your unique offering?

Depending on the type of business, the following sections may or may not be necessary. Only include relevant sections and remove everything else.

- **Opportunity:** Describe the current market for the business' offered service. At a high level, what is the market and who are its participants; is it business customers or consumers; what is the specific geography, etc.? More details on the market will be provided in the next section of the plan. Next, describe the current state of available services and how the business will offer better. Also discuss any additional services the company plans to offer in the future.
- **Product overview:** Describe the service offerings of the business in as much detail as possible. If it is effective to include pictures, this would be a good place to place them.
- **Key participants:** Identify any strategic partners in the business, such as critical suppliers, distributors, referral partners, or any others. In some businesses, products are custom-made and any break in their supply will impact the business. There may be key contributors to the services offered, so it is important to identify them.
- **Pricing:** Provide pricing of the service, gross margin projects, and upgrade paths. Describe why the company's pricing will be attractive to the target market. Have a gauge on the competitor's pricing and explain how the business' service is unique to justify its pricing structure.

- Note the difference between working hours and billable hours. All working hours are not billable. If the business has employees with differing skill levels (for example, in a law practice, there are associates, paralegals, lawyers, partners, etc.), indicate the various billing rates.
- Communicate rates clearly to clients and customers. If there are potential additional fees which will be passed on to clients or customers, define and establish them up front.

4. Market Analysis

The Market Analysis provides the reader with an understanding of how well the business knows and understands its market and if it is big enough to support the business objectives. This section provides an overview of the industry that the business will participate in. As this section is narrowed down to the ideal customer based on the business strategy, the plan will define the target market. A detailed description and sizing of the target market will help the reader understand the market value the business is pursuing (the number of potential customers multiplied by the average revenue for the product or service).

In defining the target market, the plan will identify key elements such as geographic location, demographics, buyer characteristics, the target market's needs, and how market needs are currently being met. If there are any direct competitors, explain how the company's service compares to the competitors in terms of solving the consumers' problems.

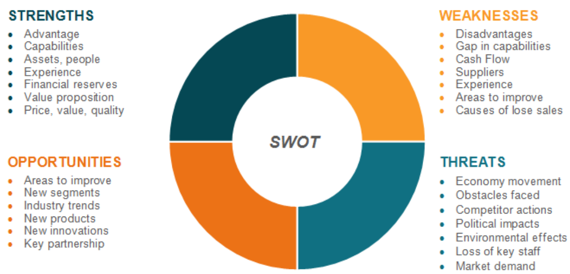
This section may also include a Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis as necessary, to better assess the business' position against the competition.

Depending on the type of business, the following sections may or may not be necessary. Only include what is need and remove everything else.

- **Industry type:** Begin with the broader descriptions of the market opportunity. For instance, if the intended business is a travel agency, the industry type would be service industry. In this particular market, the global revenues are projected to exceed $183 billion, but the local agency will have a much smaller market. Identify the potential clientele in the company's local geography that might fit into the target demographic group. This section will also identify any industry regulations and evaluate trends in market growth and stability.
- **Market segmentation:** This section defines the main market segments and those the business is targeting now. A market segment is a group of people (or other businesses) within the industry, identify smaller segments, such as luxury travel or exotic cruisers. The market can also be segmented by criteria such as quality, price, range of products, geography, demographics, and others. A few other elements to consider answer questions such as: Is the segment growing, shrinking, or will it be flat for the next few years? What percentage of the market will be reachable? What share of the market is anticipated within the next 2-3 years? Graphics are best used in a section like this to either show growth (line graph) or percentages of markets or groups (pie chart).

- **Competition:** All businesses compete in one way or another. It may be with specific, direct competitors or it may be with the way customers have been doing things for a long time. When identifying the competition, identify who else is providing services to solve the same problem the business seeks to address. What are the business' advantages over these competitors? How will the company's voice be heard over the noise of competitors? Sometimes a business plan includes a matrix of features and compares how each business offers or does not offer those features. This section reflects how the company's solution is different and better suited for the identified target market compared to the competition.

- **SWOT analysis:** A SWOT analysis may be included by completing the boxes below to assess the business' current environment's strengths and weaknesses (internal) and opportunities and threats (external). This is a good exercise to go through on an annual basis. After completing the analysis, provide thoughts on: how the business' strengths can help maximize opportunities and minimize threats; how its weaknesses can slow the company's ability to capitalize on the opportunities; and how the business' weaknesses could expose it to threats.



5. Operating plan

Additionally, it is necessary to outline how the company currently and will continue to develop and maintain a loyal customer base. This section includes management responsibilities with dates and budgets and making sure results can be tracked. What are the envisioned phases for future growth and the capabilities that need to be in place to realize growth?

The operating plan describes how the business works. Depending on the type of the business, important elements of this plan should include how the company will bring services to market and how it will support customers. It is the logistics, technology, and basic blocking and tackling of the business.

Depending on the type of business, the following sections may or may not be necessary. Only include what is needed and remove everything else. Remember: try to keep the business plan as short as possible. Excessive detail in this section could easily make the plan too long.

- **Order fulfillment:** Describe the company's procedures for delivering services to its customers. As a service company, determine how to keep track of the customer base, form of communications, and how best to manage sales and data.

- **Payment:** Describe the standard payment terms and the payment methods accepted. Describe the pricing plans (one-time service fees, hourly-based fees, markups, and any other fees) and any impact on cash flow.

- **Technology:** If technology is critical to the business, whether it is part of the service offering or is fundamental to delivering a service, describe the key technologies used that are proprietary. If the business data (company or customer) is at risk, describe the data security plan in place, as well as any backup or recovery in the case of a disaster or outage.

- **Key customers:** Identify any customers that are important to the success of the business due to a partnership, volume, or pathway to a new market. Also identify any customers who bring in more than 10% of the company's revenues.

- **Key employees and organization:** Describe unique skills or experiences that are required of the current team. If necessary, describe any proprietary recruiting or training processes in place. List key employees that are necessary for success. Include an organization chart to support this section.

- **Facilities:** Describe the type of business facility, whether leased, owned, or a shared business premises. Provide a listing of business locations, their purpose, and future plans for these facilities. If there are no facilities, and the business plans to buy or lease them, include that in this plan.

6. Marketing and sales plan

Promoting the business, whether through generating leads or traffic to a website or store, is one of the most important functions of any business. In this section of the plan, provide details of intended marketing of the business. Describe the key messages and channels used for generating leads and promoting the business. This section should also describe any sales strategy. Depending on the type of business, the following sections may or may not be necessary. Only include what is needed and remove everything else.

- **Key messages:** Describe the key messages that will elevate services in the target customers' eyes. If there is sample collateral or graphical images of some messages, include them.

- **Marketing activities:** Which of the following promotion options provide the company the best chance of product recognition, qualified leads, store traffic, or appointments?

- Media advertising (newspaper, magazine, television, radio)
- Direct mail
- Telephone solicitation
- Seminars or business conferences
- Joint advertising with other companies
- Word of mouth or fixed signage
- Digital marketing such as social media, email marketing, SEO, or blogging
- Provide limited free consultations (such as free job pricing for Contractors, free landscaping consultation for landscapers, or free pricing opinions for real estate agents)
- Sponsor local sports teams or other community events

- Give free informational talks either at the business offices or for local businesses offering complementary services (such as a real estate agent providing seminars about preparing a home to bring to market)
- Do free work for local non-profits (such as an ad agency designing a local farmer's market's website for free)

- **Sales strategy:** If needed, what will be the sales approach? Will there be full-time commissioned sales people, contract sales, or another approach? Many one-on-one service businesses are heavily reliant on word of mouth. Take this into account when developing the sales strategy.

7. Financial Plan

Creating a financial plan is where all of the business planning comes together. Up to this point, the target market, target customers, and pricing have all been identified. These items, along with assumptions, will help estimate the company's sales forecast. The other side of the business will be what expenses are expected. This is important on an ongoing basis to see when the business is profitable. It is also important to know what expenses will need to be funded before customer sales, or the cash they generate, is received.

At a minimum, this section should include estimated start-up costs and projected profit and loss, along with a summary of the assumptions being made with these projections. Assumptions should include initial and ongoing sales, along with the timing of these inflows.

The table below shows a sample of ongoing and one-time cost items that the business might need in order to open. Many businesses are paid on credit over time and do not have cash coming in immediately. It is necessary to make assumptions about how many months of recurring items, in addition to one-time expenses, to estimate when cash will begin to flow into the company. To begin with, the company will have to fund out of savings or an initial investment. There is a blank table in the Appendix to complete potential start-up cost projections.

START-UP COSTS				
Your Office-Based Agency				January 1, 20xx
COST ITEMS	**MONTHS**	**COST/ MONTH**	**ONE-TIME COST**	**TOTAL COST**
Advertising/Marketing	3	$300	$2,000	$2,900
Employee Salaries*	4	$500	$2	$2,002
Employee Payroll Taxes and Benefits	4	$100	$1,500	$1,600
Rent/Lease Payments/Utilities	4	$750	$2,500	$5,500
Postage/Shipping	1	$25	$25	$50
Communication/Telephone	4	$70	$280	$560
Computer Equipment		$0	$1,500	$1,500
Computer Software		$0	$300	$300

Insurance	$0	$60	$60
Interest Expense	$0	$0	$0
Bank Service Charges	$0	$0	$0
Supplies	$0	$0	$0
Travel & Entertainment	$0	$0	$0
Equipment	$0	$2,500	$2,500
Furniture & Fixtures	$0	$0	$0
Leasehold Improvements	$0	$0	$0
Security Deposit(s)	$0	$0	$0
Business Licenses/Permits/Fees	$0	$5,000	$5,000
Professional Services - Legal, Accounting	$0	$1,500	$1,500
Consultant(s)	$0	$0	$0
Inventory	$0	$0	$0
Cash-On-Hand (Working Capital)	$0	$1,000	$1,000
Miscellaneous	$0	$2,000	$2,000
ESTIMATED START-UP BUDGET			**$26,472**

*Based on part-time employees. This may change once you hit your growth benchmark.

Projected profit and loss model: The model below shows a sample of the projections a small business is forecasting for their first 12 months of operations. The top portion of the table shows projected sales and gross profit. This is a good place to begin creating the company's sales forecast. The next section itemizes the recurring expenses the business is projecting for the same months. These should be consistent with the estimated start-up costs completed in the prior section. At the bottom of this model, it will possible to see when the company is becoming profitable and what expense items are the most impactful to its profitability. There is a blank table in the Appendix to complete the business' own start-up cost projections.

START-UP COSTS

Your Office-Based Agency — January 1, 20xx

REVENUE	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Estimated Sales	$5,000	$13,000	$16,000	$7,000	$14,500	$16,400	$22,500	$23,125	$24,549	$22,000	$25,000	$27,349	$216,423
Less Sales Returns & Discounts	$0	($350)	$0	($206)	($234)	$0	$0	($280)	($1,200)	($1,600)	$0	($2,400)	($6,270)
Service Revenue	$0	$0	$0	$0	$0	$250	$350	$100	$0	$0	$1,245	$1,360	$3,305
Other Revenue	$0	$0	$0	$0	$0	$0	$0	$1,500	$0	$0	$0	$0	$1,500
Net Sales	$5,000	$12,650	$16,000	$6,794	$14,266	$16,650	$22,850	$24,445	$23,349	$20,400	$26,245	$26,309	$214,958

Cost of Goods Sold*	$2,000	$5,200	$6,400	$2,800	$5,800	$6,560	$9,000	$9,250	$9,820	$8,800	$10,000	$10,940	$86,569
Gross Profit	$3,000	$7,450	$9,600	$3,994	$8,466	$10,090	$13,850	$15,195	$13,529	$11,600	$16,245	$15,369	$128,389
EXPENSES	**JAN**	**FEB**	**MAR**	**APR**	**MAY**	**JUN**	**JUL**	**AUG**	**SEP**	**OCT**	**NOV**	**DEC**	**YTD**
Salaries & Wages	$2,500	$2,500	$3,500	$5,000	$5,000	$5,000	$8,000	$9,000	$9,000	$9,000	$9,000	$9,000	$76,500
Marketing/ Advertising	$400	$450	$450	$450	$900	$900	$900	$900	$900	$900	$1,200	$1,200	$9,550
Sales Commissions	$250	$650	$800	$350	$725	$820	$1,125	$1,156	$1,227	$1,100	$1,250	$1,367	$10,821
Rent	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$15,000
Utilities	$250	$150	$200	$200	$200	$250	$250	$250	$200	$200	$250	$250	$2,650
Website Expenses	$175	$175	$175	$175	$175	$175	$175	$175	$175	$175	$225	$225	$2,200
Internet/Phone	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110	$110	$1,320
Insurance	$165	$165	$165	$165	$165	$165	$165	$165	$165	$165	$165	$165	$1,980
Travel	$100	$0	$0	$250	$0	$0	$0	$0	$675	$800	$0	$0	$1,825
Legal/Accounting	$1,200	$0	$0	$450	$0	$500	$0	$0	$0	$0	$0	$250	$2,400
Office Supplies	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$125	$1,500
Interest Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Expenses	$6,525	$5,575	$6,775	$8,525	$8,650	$9,295	$12,100	$13,131	$13,827	$13,825	$13,575	$13,942	$125,746
Income Before Taxes	($3,525)	$1,875	$2,825	($4,531)	($184)	$795	$1,750	$2,064	($298)	($2,225)	$2,670	$1,427	$2,643
Income Tax Expense	($529)	$281	$424	($680)	($28)	$119	$263	$310	($45)	($334)	$401	$214	$396
NET INCOME	**($2,996)**	**$1,594**	**$2,401**	**($3,851)**	**($156)**	**$676**	**$1,488**	**$1,754**	**($253)**	**($1,891)**	**$2,270**	**$1,213**	**$2,246**

*In the service industry, Cost of Goods Sold is the monetized value of the time spent on the client.

Instructions for Getting Started on Profit & Loss Projections

Completing projections for Profit and Loss of a new company is a good exercise to understand and communicate when the company will begin to break even and see how sales and profits will grow. The top portion of the model to the left, Revenue, is a good way to forecast sales, month by month for the first year. The lower portion then applies estimated expenses for the same period of time to derive the business' profitability.

Steps for preparation:

- **Step 1:** Enter the company name and the date this projection is being prepared.
- **Step 2:** For each month, beginning in January or whenever the start is estimated, enter the expected sales to be. This could be for a single service or multiple services. Add lines to this model for additional offerings. From this, subtract any product returns or discounts that are to be tracked (these should be shown as negative numbers, for example, -10). Below Net Sales, enter the Cost of Goods Sold. This refers to the monetized value of the time spent on a particular client.
- **Step 3:** For each month, enter the estimated salaries, marketing, utilities, and other items that are projected.
- **Step 4:** Once all of the costs have been entered, review the individual items and total amount to see where projections can be fine-tuned or move something out into the future when more revenue is coming in. The objective is to get to profitability and positive cash flow as quickly as possible.

QNo3 (a)

Factors to Consider Before Selecting a Form of Business Organization

There are three (3) main forms of business organization: (1) **sole proprietorships**, (2) **partnerships**, and (3) **corporations**, plus several hybrid forms.

In terms of numbers, about 80 percent of businesses are operated as sole proprietorships, while most of the remainder are divided equally between partnerships and corporations.

Based on the dollar value of sales, however, about 80 percent of all business is conducted by corporations, about 13 percent by sole proprietorships, and about 7 percent by partnerships and hybrids. It is important to understand the differences among the various forms.

The following points are taken into consideration while selecting a form of business organisation: 1. Easy in Formation 2. Easy in Raising Finance 3. Extent of Liability 4. Flexibility of Operation 5. Stability and Continuity 6. Secrecy 7. Government Regulations 8. Tax Liability 9. Decision-Making Opportunities.

Factor # 1. Easy in Formation:
The primary consideration in making the choice is which type or form of business organisation can be set up easily or without any difficulty. The important considerations are: facility of forming, minimum legal requirement, freedom of payment of fees to state or authority.

Factor # 2. Easy in Raising Finance:
The other important consideration is the ease with which the requisite capital can be raised. Small amount of capital can be invested by the entrepreneur himself and he would be content to put up a business, and sole proprietorship of organisation would serve the purpose effectively.If a large business requiring huge amount of capital is to be set up, company form of organisation may be necessary which will entail certain formalities to be followed for raising the capital.

Factor # 3. Extent of Liability:
This is another important factor in making the choice of a form of business organisation. The extent of liability means the extent upto which one is accountable to law. He is either fully liable or he is liable to a limited extent, in the former one, the liability is said to be unlimited, his personal or private estate will be liable for the debt, but in the latter case the liability is limited and he can be made to pay only to the extent of certain definite limit. Ordinarily he would like a liability where his liability is limited.

Unlimited liability, however, acts as a stimulus for hard work and may result in good gains. The greater the extent of liability the greater one could feel his responsibility and risk and hence would always try his best to escape from the risk of the liability which is only possible by doing hard work. He may in that case choose sole proprietorship or partnership.

Factor # 4. Flexibility of Operation:
A good form of business organisation is one which permits maximum flexibility, as changes can be introduced promptly without any difficulty. Individual proprietorship enjoys to the maximum extent the characteristic of flexibility of operation.

Factor # 5. Stability and Continuity:
The continuity of existence and stability are the essential factors which make an organisation superior in status as against those which lack continuity. The company form of organisation is the only form which ensures stability and continuity. The life span of sole proprietary organisation is not long. This may be closed after the death of its owner.

A partnership too does not have a permanent life. It may be dissolved for a number of reasons. Hence, a company form of organisation will be suitable if stability of operation is essential.

Factor # 6. Secrecy:
Secrecy is of supreme importance, particularly in small business concerns. Accordingly, the entrepreneur would select the sole proprietorship for that reason. In case, he has partners, he will have to carefully weigh whether other partners will be able to maintain the secrecy. He will have to exercise great care in taking partners.

Factor # 7. Government Regulations:
Different forms of business organisations are subject to various kinds of control exercised by Government rules and regulations. In case of sole proprietorship, the Government control is minimum.

A sole proprietary organisation is not expected to meet any legal requirement. Similarly, a partnership form of organisation is free from government regulations. Even the registration of partnership is not compulsory.

But a number of formalities are required to be complied with while incorporating a company. A company is created by the process of law and government reserves the right to control its actions more closely than the other two forms of organisations.

Factor # 8. Tax Liability:
The basis of taxation is different in each type of business organisation. A joint stock company has more tax liability as compared to the sole proprietorship and partnership.

Factor # 9. Decision-Making Opportunities:
Some entrepreneurs, particularly those who attach great value to their own leadership would prefer sole proprietorship as the form of organisation. If a very high leadership is required which he may not possess, he will then be obliged to form a company in order to attract a more able leadership to assume responsibility for the operation of the enterprise.

The above mentioned factors are inter-related and cannot be considered singly. The entrepreneur will have to consider all the factors relatively before making choice. The capital requirement and limited liability are also most important factors for taking into consideration before taking a decision.

Qno 3(b)

Advantages of Partnerships

- Ease of formation
- Availability of capital
- Diversity of managerial expertise
- Flexibility to respond to changing business conditions
- Relative freedom from government control
- easy and inexpensive to form
- diverse skills and expertise
- flexibility
- relative freedom from government regulations
- no special taxation
-

Disadvantages of Partnerships

- Unlimited liability for general partners
- Potential for conflict between partners
- Limited life

- Sharing of profits
- Difficulty in leaving a partnership
- potential conflicts between partners
- unlimited liability & potential loss
- sharing profits
- hard to leave or end partnership

QNo4 (a)

Growth Strategies

Growth through market penetration does not involve moving into new markets or creating new products; it's an attempt to increase market share using your current products or services. Carry out this strategy by lowering the price of a product or service, or by increasing marketing efforts to lure customers away from competitors.

Your business will never increase in value without growth. But business growth does not happen accidentally; it's the result of strategic initiatives. There are four basic growth strategies you can employ to expand your business: market penetration, product development, market expansion and diversification.

- **Market Penetration**

Growth through market penetration does not involve moving into new markets or creating new products; it's an attempt to increase market share using your current products or services. Carry out this strategy by lowering the price of a product or service, or by increasing marketing efforts to lure customers away from competitors.

- **Product Development**

Product development means creating new products to serve the same market. For example, a company that produces ice cream for institutional buyers expands its line to include gelato and sorbet. The company can sell these new products to existing customers and grow its business without tapping new markets.

- **Market Development**

Market development involves introducing your products or services to new markets. You may want to enter a new city, state or even country. Or you can target a market segment. For instance, a bakery that produces breads for the consumer market could enter into the commercial market by baking breads for restaurants and retailers.

- **Diversification**

Diversification is the most radical form of growth. It involves creating a totally new product for a completely new market. This is the riskiest growth strategy because it's the most uncertain. Failure is a distinct possibility, although the potential of a high payoff may be worth the risk for companies with sufficient financial means.

Example of Growth Strategies

- Case: Early days of the Head Ski Company; only produced and sold high-tech skis in the U.S. market.

  Penetration strategy

  Increase in marketing budget focused on encouraging existing customers to "upgrade" their skis more often.

  Market development strategy

  Selling skis in Europe, Argentina, and New Zealand.

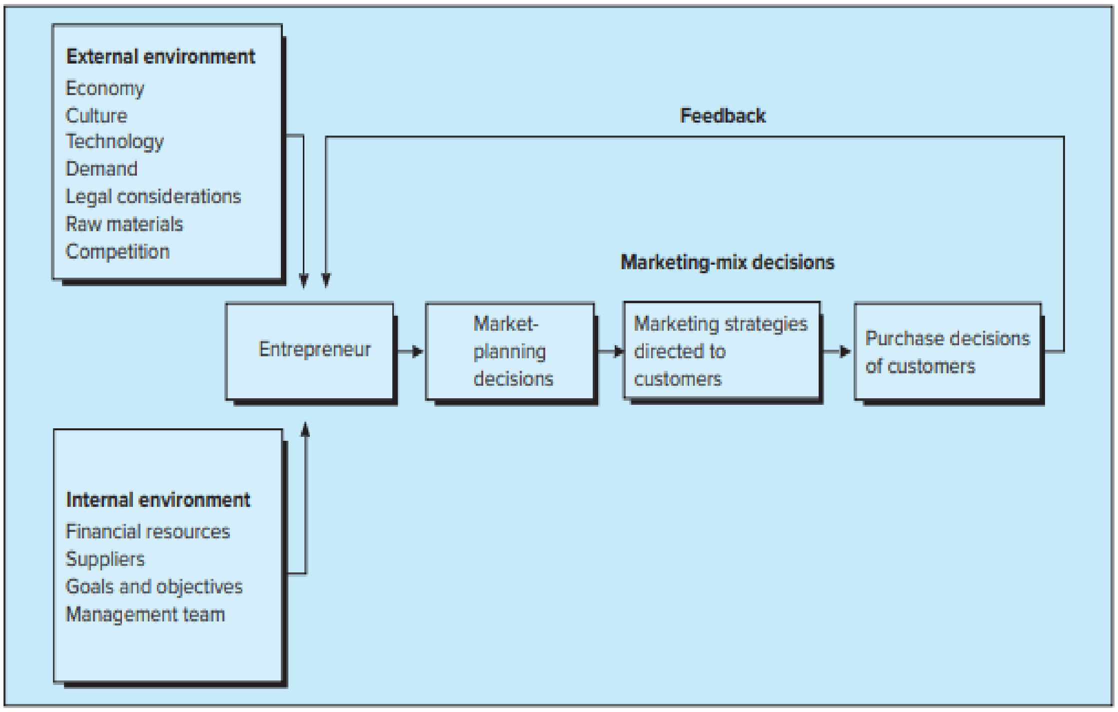
  Product development strategy

  1. Develop and sell new products

  Diversification strategies

  - Backward integration - Design and manufacture of equipment used to make skis.
  - Forward integration - Control of a chain of retail ski shops.
  - Horizontal integration - Ownership of ski mountains.

Qno5 (a)



Internal and External Factors - What are They?
First, you need to understand that there is a variation of internal and external factors depending on the size, type, and business status. However, you can find those key factors by analyzing the business environment using the following categories:

Internal Environment Factors

Definition
The internal factors refer to anything within the company and under the control of the company no matter whether they are tangible or intangible. These factors after being figured out are grouped into the strengths and weaknesses of the company. If one element brings positive effects to the company, it is considered as strength.

On the other hand, if a factor prevents the development of the company, it is a weakness. Within the company, there are numerous criteria need to be taken into consideration.

Types
There are 14 types of internal environment factors:

1. Plans & Policies
2. Value Proposition
3. Human Resource
4. Financial and Marketing Resources
5. Corporate Image and brand equity
6. Plant/Machinery/Equipments (or you can say Physical assets)
7. Labour Management
8. Inter-personal Relationship with employees
9. Internal Technology Resources & Dependencies
10. Organizational structure or in some cases Code of Conduct
11. Quality and size of Infrastructure
12. Task Executions or Operations
13. Financial Forecast
14. The founders relationship and their decision making power.

External Environmental Factors

Definition
On the contrary to internal factors, external elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment.

There are numerous criteria considered as external elements. Among them, some of the most outstanding and important factors need to listed the are current economic situation, laws, surrounding infrastructure, and customer demands.

Types
Micro factors:

1. Customers
2. Input or Suppliers
3. Competitors
4. Public
5. Marketing & Media
6. Talent

Macro factors:

1. Economic
2. Political/legal
3. Technology
4. Social an

5. Natural

Method of study
There are many factors affecting business have been studied, among them, we provide you a deep insight of the most decisive factors, which are at the center of every business today

Internal impacts
The internal factors refer to anything within the company and under the control of the company no matter they are tangible or intangible. These factors after being figured out are grouped into strengths and weaknesses of the company. If one element brings positive effects to company, it is considered as strength. On the other hand, if a factor prevents the development of the company, it is a weakness. Within the company, there are numerous criteria need to be taken into consideration.

Human resources
In the modern global economy, where ideas and digital skills - rather than physical resources are increasingly where economic value is realised, human resource can be a company's greatest treasure. In general, the employees can be either a strength or weakness of the company depending on the level of practical skills, attitudes toward work, performance and so on. For example, if a business has skilled and motivated workers, they are sure to be the biggest asset of this enterprise.

Conversely, employees without carefully trained and have negative attitudes to their task will be an enormous challenge for the company to address. In short, the CEO should have a strategic and effective human management not only for the sake of company benefits but also for the positive development of their employees.

Capital resources
From a general view, financial capital is the funds necessary to grow and sustain a business. CEO takes financial capital to invest in not only tangible goods such as factories, machines, tools and other productive equipment to produce an output but also intangible resources such as marketing, employee training, etc.

No company can survive without having capital resources. Once a company has enough budget, they can easily launch their projects, expand its scale and even achieve impressive result. For instance, in 2010 **Coca Cola** - "the 84 biggest economy" spent 2.9 billion USD for marketing, which was more than that total marketing investment of Microsoft and Apple. It can be said that without the big investment and stable financial resource, Coca Cola success would not be guaranteed.

There are also several ways for an enterprise to maintain stable budgets by some resources such as investment opportunities, funding, and annual income.

Operational efficiency
The concept of operational efficiency encompasses the practice of improving all of your processes, which are all your company's activities leading to your final product or service.

Because Operational efficiency directly affects the company's success in the marketplace, a businessman needs to truly know his company's processes and follow them to discover whether they're being performed in the correct manner or not. Here are some suggestions for you to achieve this efficiency :

- Study the business situation
- Pay attention to product cost
- Map process failure and discover failure
- Use technology for better operation productivity

Organizational structure
To have a suitable organizational structure requires the owners have to consider carefully set up a system to work smoothly within the company. Whether it is a centralized or decentralized system, the most important thing is how effective the structure is when applied for the company. The heads of departments need to make sure that the information flow is widely conveyed to all customers. Suitable rules and regulations are being applied to ensure the benefits of employees, and the business as well.

Infrastructure
When you already have well-trained and motivated workers, an effective operational and organizational system, make sure that the infrastructure of the company are good enough for all your functions. With the modern and high quality facilities, stable power, internet and wifi connection, and so on your company is likely to perform better. In other words, the better your infrastructure, the more opportunities for your company to perform successfully.

Innovation
In the competitive marketplace and industrial revolution we are living now, no company can survive without upgrade new ideas and technology served overall success.

Fundamentally, innovation refers to the introduction of something new into your business with the ideas come from inside the business such as from employees, developers, managers or from the outside world like suppliers, customers, etc. Successful innovation can bring about productivity, cost reduction, higher competitiveness, brand value, turnover increase. In contrast, companies which fail to apply innovation will surely face the risks of losing market share to competitors, underlying profit loss and losing key staff.

Innovation is rewarding for your business only when you step by step start to holistically approach to innovation, plan and encourage innovation and spread investment for innovation in your business.

External factors
On the contrary to internal factors, external elements are affecting factors outside and under no control of the company. Considering the outside environment allows businessmen to take suitable adjustments to their marketing plan to make it more adaptable to the external environment. There are numerous criteria considered as external elements. Among them some most outstanding and important factors need to listed are current economic situation, laws, surrounding infrastructure, and customer demands.

Economic situation
Economy is one of the most determining factors to the success of the company even though it is an external element. Within the economy, some contributing factors such as the fluctuation of interest rate, economic crisis, and so on directly and strongly affects the consumption of buyers, and consequently, the profits of businesses.

No external factors affect business more than an economic condition, which is the present state of the economy. As the economy goes through expansion and contraction, it's condition changes over time. Positive economy condition can be favorable for business development and adverse ones may generate negative consequences such as narrow down business scale, capital shortage or even bankrupt.

There are 7 factors that have direct impacts on business firm.

- Tax rate
- Exchange rate
- Inflation
- Labor
- Demand/supply
- Wages
- Recession

Laws
The rules and regulations from local government play an integral role in the development of the company. There are some countries which their laws prevents the development of some certain industries. That can be a threat to the company. On the other hand, some industries receive positive and continuous support from local government via their rules and regulations. Besides, if the laws allow organization outside the countries invest in local industries, they will indirectly create an enormous source of financial support for local business.

Technological factors
Artificial intelligence, smart internet searches, and other high tech functions- all kind of technology has been at the forefront of many business for ages. For instance, American Airlines started using a computerized flight booking system and Bank of America took on an automated check-processing system. No matter what the size of your enterprise is, both tangible and intangible benefits of technology are well-known.

Because it can help you generate profits and produce the results as your customers' needs. In particular, the culture, efficiency and relationships of a business are obviously affected by technology infrastructure. Furthermore, it also exerts impacts on the security of confidential information and trade advantages.

Today it is so decisive to entrepreneurs that technology can be their best friend or worst friend depending on how it is used in the competitive digital business market.

Customer demands
One of the most fundamental factors we learn in economics is that satisfying customer demand is a must for every business survival. It is obvious that your product is served for the needs of customers then under any circumstance, your business can develop without following this mission. Beside to be the leading company entrepreneurs should not only identify but also tailor their customer's interest.

We all know that what people want, what people need, and what they demand are usually different from each other. Customers need something to communicate with their family member outside their countries, they want to a smartphone which can perform multi-function; however, they cannot afford that smartphone with a limited budget. Therefore, their demand is just a typical phone which can perform basic functions. If your company is not able to figure out what are your customer demands, you will face difficulty in how to make your products consumed by customers. (*Learn how to build loyal customers for your business*)

In the digital age, the face of customer's preference has changed dramatically under the influence of different factors. Having a complete understanding of these factors can help business man build up an effective strategy in producing and marketing process. Here are noticable changes in customer demand:

- Quality is customer's preference than price
- Sales process is more and more under customer's control
- Customer's loyalty decrease
- The rise of middle-income customer spender
- Female consumption power
- Advancement of new technology
- Intergenerational consumption

There is a lot of legwork to be done to recognize customer's requirements and generate new trends in the marketplace. Basically , you should carry out research to determine what consumers' needs are, establish yourself as a leader in your industry and then repeatedly demonstrate your products' quality.

Competition

Competition exists in any field of our life, even in business. When it comes to competition, entrepreneurs may thrive to be successful or be hurt to lose its position in the marketplace.

For the good side, competition brings about innovation, better customer service, complacency, core market understanding and understanding of your own business- your strength and your weakness.

For the downside, if you are not prepared to change in competitive market, your company may be negatively influenced due to scaring investors, market expectations increase, competitive price and customer disloyalty.

Conclusion

In conclusion, there is a bunch of contributing factors the success of the company which comes from both outside and inside a business. Either outside or inside factors are of utmost importance for the development of the company. If a business hopes to perform smoothly and successfully, they need to take all these elements into consideration before making any decision.